



Thaba Chweu Local Municipality
Annual Financial Statements
for the year ended 30 June 2015
Auditor General South Africa

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2015

General Information

Mayoral committee

Executive Mayor

BM Ncongwane

MT Mashego

Councillors

AK Mathaila

JB Nkosi

SA Manzini

M Mahlangu

N Janse Van Rensburg

J Lekhuleni

SE Molobela

IT Mokoena

Q Lawrence

NM Masimola

J Mkhize

JM Kock

W De Jong

VS Magagula

RP Malatsi

MC Masilela

PP Chima

S Mashigo

NS Sambo

M Phoku

MM Mohlala

PM Mashego

AB Rabie

JA Maolela

JH Ligthelm

Grading of local authority

Low Capacity

Accounting Officer

LM Mokwena

Chief Financial Officer

MGT Mnisi

Registered office

Lydenburg

Mpumalanga

South Africa

1120

Business address

Corner Viljoen & Sentraal Street

Lydenburg

Mpumalanga

1120

Postal address

P.O Box 61

Lydenburg

1120

Bankers

Standard Bank of South Africa

Auditors

Auditor General South Africa

Thaba Chweu Local Municipality

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Acronyms

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay As You Earn
VAT	Value Added Tax
UIF	Unemployment Insurance Fund

Thaba Chweu Local Municipality

(Registration number MP321)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the national government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Accounting Officer
LM Mokwena

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	7	2,500,903	3,800,685
Receivables from non-exchange transactions	8	91,836,152	32,998,104
VAT receivable	9	8,990,119	9,580,079
Receivables from Exchange Transactions	10	60,124,152	68,764,588
Cash and cash equivalents	11	8,996,986	4,885,380
		172,448,312	120,028,836
Non-Current Assets			
Investment property	3	430,783,973	431,500,057
Property, plant and equipment	4	2,128,566,948	2,163,542,821
Intangible assets	5	11,051	123,078
Other financial assets	6	-	1,596,051
		2,559,361,972	2,596,762,007
Total Assets		2,731,810,284	2,716,790,843
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	412,317,560	345,314,023
Consumer Deposits	15	4,634,933	4,309,157
Employee benefit obligation		29,929,309	25,855,745
Unspent conditional grants and receipts	12	12,000,001	2,868,002
Provisions	13	16,659,567	16,189,956
		475,541,370	394,536,883
Total Liabilities		475,541,370	394,536,883
Net Assets		2,256,268,914	2,322,253,960
Reserves			
Revaluation Reserve		(2,329,856,667)	55,783,071
Accumulated surplus		4,586,125,581	2,266,470,889
Total Net Assets		2,256,268,914	2,322,253,960

* See Note 37

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

Statement Of Financial Performance as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
REVENUE			
Revenue from exchange transactions			
Service charges	18	171,882,912	158,517,415
Rental of facilities and equipment		2,660,946	2,208,802
Income from agency services	16	26,049,886	26,491,672
Other income	20	28,648,993	16,183,049
Interest received - investment		-	260,384
Total revenue from exchange transactions		229,242,737	203,661,322
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	102,028,601	34,080,703
Transfer revenue			
Government grants & subsidies	19	142,573,756	133,602,558
Fines		3,792,974	799,773
Total revenue from non-exchange transactions		248,395,331	168,483,034
Total revenue	16	477,638,068	372,144,356
EXPENDITURE			
Employee Related Costs	22	(117,670,095)	(109,417,840)
Remuneration of Councillors	23	(8,883,956)	(7,428,187)
Depreciation and Amortisation	27	(86,129,571)	(89,328,857)
Impairment loss/ Reversal of impairments		(650,657)	(994,568)
Finance Costs	28	(35,901,194)	(23,681,158)
Debt impairment	24	(21,196,068)	(28,147,172)
Repairs and Maintenance		(18,192,794)	(9,773,196)
Bulk Purchases	32	(131,021,276)	(115,401,687)
Contracted Services	31	(51,922,020)	(48,324,536)
General Expenses	21	(64,777,755)	(60,976,910)
Total Expenditure		(536,345,386)	(493,474,111)
Operating deficit		(58,707,318)	(121,329,755)
Fair value adjustments	26	-	147,470,477
Surplus (deficit) for the year		(58,707,318)	26,140,722

* See Note 37

Thaba Chweu Local Municipality

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Statement Of Changes in Net Assets as at 30 June 2015

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2013	-	2,240,330,167	2,240,330,167
Changes in net assets			
Deficit for the year	-	26,140,722	26,140,722
Total changes	-	26,140,722	26,140,722
Restated* Balance at 01 July 2014	55,783,071	4,644,832,899	4,700,615,970
Changes in net assets			
Surplus for the year	-	(58,707,318)	(58,707,318)
Total changes	-	(58,707,318)	(58,707,318)
Balance at 30 June 2015	-	4,586,125,581	4,586,125,581

* See Note 37

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

Cashflow Statement as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
RECEIPTS			
Value Added Tax		888,871	6,664,834
Sale of goods		251,904,668	117,839,248
Grants		151,705,755	133,602,558
Interest Income		-	1,111,928
Rendering of Services		59,648,088	34,082,387
Fines		822,592	799,773
		464,969,974	294,100,728
PAYMENTS			
Employee costs		(121,538,642)	(116,846,027)
Suppliers		(274,592,124)	(97,232,096)
Finance Costs		(14,631,330)	(23,681,158)
		(410,762,096)	(237,759,281)
Net cash flows from operating activities	33	54,207,878	56,341,447
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(51,692,323)	(51,822,759)
Proceeds from sale of financial assets		1,596,051	8,567,322
Net cash flows from investing activities		(50,096,272)	(43,255,437)
Cash flows from financing activities			
Movement in other liability		-	(9,174,981)
Net increase/(decrease) in cash and cash equivalents		4,111,606	3,911,029
Cash and cash equivalents at the beginning of the year		4,885,380	974,351
Cash and cash equivalents at the end of the year	11	8,996,986	4,885,380

* See Note 37

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	192,051,000	(3,850,000)	188,201,000	171,882,912	(16,318,088)	Note: 42.1
Rental of facilities and equipment	1,805,662	593,831	2,399,493	2,660,946	261,453	
Income from agency services	23,450,886	(10,312,780)	13,138,106	26,049,886	12,911,780	Note: 42.2
Other income	1,852,000	(645,000)	1,207,000	17,315,962	16,108,962	Note: 42.3
Interest Received: Outstanding Debtors	5,197,929	2,970,843	8,168,772	10,152,643	1,983,871	
Interest received - investment	1,500,000	(1,161,482)	338,518	683,682	345,164	
Total revenue from exchange transactions	225,857,477	(12,404,588)	213,452,889	228,746,031	15,293,142	

Revenue from non-exchange transactions

Taxation revenue

Property rates	60,329,000	51,857,000	112,186,000	102,028,601	(10,157,399)	Note: 42.4
Government grants & subsidies	140,680,000	(1,000,000)	139,680,000	142,573,756	2,893,756	Note: 42.5

Transfer revenue

Fines	1,495,164	(200,772)	1,294,392	3,792,974	2,498,582	Note: 42.6
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Total revenue from non-exchange transactions	202,504,164	50,656,228	253,160,392	248,395,331	(4,765,061)	
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Total revenue	428,361,641	38,251,640	466,613,281	477,141,362	10,528,081	
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Expenditure

Personnel	(101,341,705)	(8,538,709)	(109,880,414)	(117,670,095)	(7,789,681)	Note: 42.7
Remuneration of councillors	(8,166,519)	231,480	(7,935,039)	(8,883,956)	(948,917)	
Depreciation and amortisation	(44,187,172)	-	(44,187,172)	(86,129,571)	(41,942,399)	Note: 42.8
Impairment loss	-	-	-	(650,657)	(650,657)	
Finance costs	-	-	-	(35,901,194)	(35,901,194)	Note: 42.9
Debt impairment	(2,000,000)	-	(2,000,000)	(21,196,068)	(19,196,068)	Note: 42.10
Repairs and maintenance	(15,865,071)	(5,239,952)	(21,105,023)	(18,192,794)	2,912,229	
Bulk purchases	(172,896,000)	21,339,871	(151,556,129)	(131,021,276)	20,534,853	Note: 42.11
Contracted Services	(47,292,507)	8,354,695	(38,937,812)	(51,922,020)	(12,984,208)	
Interest Expense	(600,000)	(26,405,284)	(27,005,284)	-	27,005,284	
General Expenses	(29,917,330)	(15,288,912)	(45,206,242)	(61,261,479)	(16,055,237)	Note: 42.12
Grants and Subsidies Paid	(5,549,230)	(2,579,565)	(8,128,795)	-	8,128,795	

Total expenditure	(427,815,534)	(28,126,376)	(455,941,910)	(532,829,110)	(76,887,200)	
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Deficit before taxation	546,107	10,125,264	10,671,371	(55,687,748)	(66,359,119)	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	546,107	10,125,264	10,671,371	(55,687,748)	(66,359,119)	
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Thaba Chweu Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	12,562,000	(8,762,000)	3,800,000	2,500,903	(1,299,097)	
Receivables from non-exchange transactions	-	-	-	91,836,152	91,836,152	
VAT receivable	-	-	-	8,990,119	8,990,119	
Consumer debtors	131,225,000	(20,328,000)	110,897,000	60,124,152	(50,772,848)	
Cash and cash equivalents	20,175,000	(15,291,000)	4,884,000	8,996,986	4,112,986	
	163,962,000	(44,381,000)	119,581,000	172,448,312	52,867,312	

Non-Current Assets

Investment property	-	328,778,000	328,778,000	430,783,973	102,005,973	
Property, plant and equipment	1,010,526,000	39,997,000	1,050,523,000	2,128,566,948	1,078,043,948	
Intangible assets	-	46,000	46,000	11,051	(34,949)	
Investments	1,057,000	539,000	1,596,000	-	(1,596,000)	
Other non-current assets	-	2,582,000	2,582,000	-	(2,582,000)	
	1,011,583,000	371,942,000	1,383,525,000	2,559,361,972	1,175,836,972	

Total Assets	1,175,545,000	327,561,000	1,503,106,000	2,731,810,284	1,228,704,284	
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Liabilities

Current Liabilities

Payables from exchange transactions	402,519,000	(54,337,000)	348,182,000	412,317,555	64,135,555	
Consumer deposits	3,889,000	420,000	4,309,000	4,634,933	325,933	
Employee benefit obligation	-	-	-	29,929,309	29,929,309	
Unspent conditional grants and receipts	-	-	-	12,000,001	12,000,001	
Provisions	24,640,000	(8,451,000)	16,189,000	16,659,567	470,567	
Borrowing	532,000	-	532,000	-	(532,000)	
	431,580,000	(62,368,000)	369,212,000	475,541,365	106,329,365	

Non-Current Liabilities

Non-Current borrowing	8,559,000	(8,559,000)	-	-	-	
Provisions	1,266,000	24,589,000	25,855,000	-	(25,855,000)	
	9,825,000	16,030,000	25,855,000	-	(25,855,000)	

Total Liabilities	441,405,000	(46,338,000)	395,067,000	475,541,365	80,474,365	
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Net Assets	734,140,000	373,899,000	1,108,039,000	2,256,268,919	1,148,229,919	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Revaluation reserve	734,140,000	(734,140,000)	-	(2,224,474,433)	(2,224,474,433)	
Accumulated surplus	-	1,108,039,000	1,108,039,000	4,480,743,352	3,372,704,352	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Total Net Assets	734,140,000	373,899,000	1,108,039,000	2,256,268,919	1,148,229,919	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	263,533,000	(62,270,000)	201,263,000	313,281,235	112,018,235	
Grants	140,680,000	(1,000,000)	139,680,000	151,705,755	12,025,755	
Interest income	6,698,000	6,698,000	13,396,000	-	(13,396,000)	
	410,911,000	(56,572,000)	354,339,000	464,986,990	110,647,990	
Payments						
Supplier and employee costs	(381,003,000)	26,580,000	(354,423,000)	(396,130,766)	(41,707,766)	
Finance Costs	(600,000)	(22,147,000)	(22,747,000)	(14,631,330)	8,115,670	
	(381,603,000)	4,433,000	(377,170,000)	(410,762,096)	(33,592,096)	
Net cash flows from operating activities	29,308,000	(52,139,000)	(22,831,000)	54,224,894	77,055,894	
Cash flows from investing activities						
Purchase of property, plant and equipment	(46,004,000)	(5,678,900)	(51,682,900)	(51,682,900)	-	
Proceeds from sale of financial assets	-	1,596,051	1,596,051	1,596,051	-	
Net cash flows from investing activities	(46,004,000)	(4,082,849)	(50,086,849)	(50,086,849)	-	
Net increase/(decrease) in cash and cash equivalents	(16,696,000)	(56,221,849)	(72,917,849)	4,138,045	77,055,894	
Cash and cash equivalents at the end of the year	(16,696,000)	(56,221,849)	(72,917,849)	4,138,045	77,055,894	

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Basis of accounting

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the Standards of Generally Recognised Accounting Practice unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. All values have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.1 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the municipality presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the municipality are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.3 Investment property

Initial recognition

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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1.3 Investment property (continued)

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the

assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	5 - 50 years
Furniture and fixtures	5 - 15 years
Motor vehicles	4 - 20 years
Office equipment	5 - 15 years

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1.4 Property, plant and equipment (continued)

Computer equipment	5 - 15 years
Infrastructure assets	3 - 100 years
Community assets	5 - 50 years
Investment property	Indefinite
Heritage	Indefinite

1.5 Intangible assets

- An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- - the municipality intends to complete the intangible asset for use or sale;
 - it is technically feasible to complete the intangible asset;
 - the municipality has the resources to complete the project; and
 - it is probable that the municipality will receive future economic benefits or service poten

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straightline method. the annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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1.5 Intangible assets (continued)

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Website development costs	5 years
Computer software	3 years

1.6 Financial instruments

Financial instruments are initially recognised at fair value. .

Initial recognition and measurement

Subsequent Measurement

Credit Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the of an approved GRAP104 Standard on Financial Instruments

Investment

Derecognition Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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1.6 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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Accounting Policies

1.6 Financial instruments (continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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1.7 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue from exchange transactions in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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1.8 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

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1.9 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.9 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.10 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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Accounting Policies

1.10 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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Accounting Policies

1.10 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Subsequent changes in the measurement of provisions relating to rehabilitation of landfill sites as a result of change in estimated cash flows required to settle the obligation will result in increased carrying amounts of the landfill sites to which the provision relates. The adjusted depreciable amount of the landfill sites will be depreciated over the remaining useful life of the landfill site. Once the landfill site has reached the end of its useful life, all subsequent changes in the value of the liability will be recognised in the statement of financial performance.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

Concessionary loans received

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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Accounting Policies

1.15 Borrowing costs (continued)

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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Accounting Policies

1.23 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014-07-01 to 2015-06-30.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the Statement of Financial Performance and the budget for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Value Added Tax

The municipality accounts for VAT on the payment basis.

1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
- all short-term employee benefits;
- short-term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred. All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

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Notes to the Annual Financial Statements

GRAP 7 (as revised 2012): Investments in Associates

Amendments were made to definitions and a requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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Notes to the Annual Financial Statements

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 27 and GRAP 31 (as revised 2012)

These Standards of GRAP replace the previous Standard of GRAP on Agriculture (GRAP 101) and Standard of GRAP on Intangible Assets due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27) and Intangible Assets (IPSAS 31) respectively.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

- (a) exchange revenue (GRAP 9); and
- (b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information

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about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

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2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 20: Related Party Disclosures

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

* A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

* An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and

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- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No

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effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

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Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

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- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	430,783,973	-	430,783,973	431,500,057	-	431,500,057

Reconciliation of investment property - 2015

	Opening balance	Transfers	Total
Investment property	431,500,057	(716,084)	430,783,973

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Figures in Rand 2015 2014

Reconciliation of investment property - 2014

	Opening balance	Transfers	Transfer to PPE	Fair value adjustments	Total
Investment property	368,881,434	(26,232,000)	(58,830,054)	147,680,677	431,500,057

4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	9,159,042	-	9,159,042	9,159,042	-	9,159,042
Buildings	246,348,679	(56,786,540)	189,562,139	246,348,679	(49,233,852)	197,114,827
Plant and machinery	989,297	(341,474)	647,823	877,291	(279,856)	597,435
Furniture and fixtures	5,215,043	(2,886,537)	2,328,506	4,852,944	(2,615,557)	2,237,387
Motor vehicles	11,405,929	(5,300,225)	6,105,704	8,943,190	(4,226,930)	4,716,260
Office equipment	1,497,065	(743,378)	753,687	1,461,972	(664,905)	797,067
Computer equipment	2,292,824	(1,032,143)	1,260,681	2,025,289	(909,124)	1,116,165
Infrastructure	2,088,969,568	(564,765,326)	1,524,204,242	2,070,301,960	(494,273,267)	1,576,028,693
Community	353,704,662	(46,288,267)	307,416,395	350,634,265	(39,272,202)	311,362,063
Assets under construction	86,963,385	-	86,963,385	60,248,539	-	60,248,539
Heritage assets	165,344	-	165,344	165,343	-	165,343
Total	2,806,710,838	(678,143,890)	2,128,566,948	2,755,018,514	(591,475,693)	2,163,542,821

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	9,159,042	-	-	-	-	9,159,042
Buildings	197,114,827	-	-	(7,552,688)	-	189,562,139
Plant and machinery	597,435	112,006	-	(58,956)	(2,662)	647,823
Furniture and fixtures	2,237,387	362,098	-	(249,390)	(21,589)	2,328,506
Motor vehicles	4,716,260	2,462,739	-	(453,021)	(620,274)	6,105,704
Office equipment	797,067	35,095	-	(72,343)	(6,132)	753,687
Computer equipment	1,116,165	267,535	-	(123,019)	-	1,260,681
Infrastructure	1,576,028,693	-	18,667,608	(70,492,059)	-	1,524,204,242
Community	311,362,063	-	3,070,396	(7,016,064)	-	307,416,395
Assets under construction	60,248,539	48,452,850	(21,738,004)	-	-	86,963,385
Heritage assets	165,344	-	-	-	-	165,344
Total	2,163,542,822	51,692,323	-	(86,017,540)	(650,657)	2,128,566,948

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Figures in Rand	2015	2014
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Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	6,595,440	-	2,563,602	-	-	9,159,042
Buildings	204,984,859	-	-	(7,870,032)	-	197,114,827
Plant and machinery	660,469	-	-	(63,034)	-	597,435
Furniture and fixtures	2,346,871	161,247	-	(270,731)	-	2,237,387
Motor vehicles	6,241,894	-	-	(531,066)	(994,568)	4,716,260
Office equipment	846,090	31,958	-	(80,981)	-	797,067
Computer equipment	1,117,727	109,787	-	(111,349)	-	1,116,165
Infrastructure	1,649,884,324	-	-	(73,855,631)	-	1,576,028,693
Community	240,020,563	-	77,800,125	(6,458,625)	-	311,362,063
Assets under construction	22,515,368	59,266,844	(21,533,673)	-	-	60,248,539
Heritage assets	165,343	-	-	-	-	165,343
	2,135,378,948	59,569,836	58,830,054	(89,241,449)	(994,568)	2,163,542,821

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Website development costs and antivirus software	304,430	(293,379)	11,051	304,430	(181,352)	123,078

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Website development costs and antivirus software	123,078	(112,027)	11,051

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Website development costs and antivirus software	210,488	(87,410)	123,078

6. Other financial assets

Designated at fair value

Long Term Deposits	-	7,668
Listed investments	-	1,588,383

Listed investments are disclosed at current market value of shares at reporting date. The municipality's risk is that the share price of listed investments might drop significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record.

	-	1,596,051
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Figures in Rand	2015	2014
7. Inventories		
Consumable stores	2,489,359	3,792,805
Water	11,544	7,880
	2,500,903	3,800,685
8. Receivables from non-exchange transactions		
Fines	785,437	445,311
Rates and other taxes	91,050,715	32,552,793
	91,836,152	32,998,104
9. Vat Receivable		
VAT	8,990,119	9,580,079
10. Receivables from Exchange Transactions		
Gross balances		
Electricity	37,704,124	31,230,052
Water	30,700,436	27,055,062
Sewerage	12,288,652	10,119,978
Refuse	9,614,163	12,468,702
Capitalised consumer debt	-	58,237,654
Other	654,218	147,547
	90,961,593	139,258,995
Less: Allowance for impairment		
Electricity	(9,118,011)	(21,739,658)
Water	(12,301,596)	(25,681,059)
Sewerage	(5,135,440)	(16,374,561)
Refuse	(4,079,743)	(6,699,129)
Other (specify)	(202,651)	-
	(30,837,441)	(70,494,407)
Net balance		
Electricity	28,586,113	9,490,394
Water	18,398,840	1,374,003
Sewerage	7,153,212	(6,254,583)
Refuse	5,534,420	5,769,573
Capitalised consumer debt	-	58,237,654
Other	451,567	147,547
	60,124,152	68,764,588
Rates		
Current (0 -30 days)	3,602,177	-
31 - 60 days	7,236,576	-
61 - 90 days	3,987,879	-
91 - 120 days	3,842,656	-
121 - 150 days	3,801,323	-
> 150 days	57,721,488	-
	80,192,099	-

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Figures in Rand	2015	2014
Water		
Current (0 -30 days)	2,476,877	2,352,047
31 - 60 days	1,208,220	1,482,921
61 - 90 days	902,139	1,173,362
91 - 120 days	936,478	1,123,527
121 - 150 days	917,639	-
> 150 days	24,259,082	20,923,204
	30,700,435	27,055,061
Electricity		
Current (0 -30 days)	7,209,024	6,582,002
31 - 60 days	2,774,279	2,165,611
61 - 90 days	2,341,737	1,820,613
91 - 120 days	2,479,196	1,563,767
121 - 150 days	1,503,357	-
> 150 days	21,396,531	19,096,971
	37,704,124	31,228,964
Sewerage		
Current (0 -30 days)	1,031,837	919,901
31 - 60 days	571,156	527,643
61 - 90 days	453,026	458,952
91 - 120 days	408,348	442,052
121 - 150 days	394,658	-
> 150 days	9,429,627	7,771,430
	12,288,652	10,119,978
Refuse		
Current (0 -30 days)	1,147,081	1,194,064
31 - 60 days	546,416	567,304
61 - 90 days	434,342	495,454
91 - 120 days	400,078	450,428
121 - 150 days	380,847	-
> 150 days	6,705,399	9,761,453
	9,614,163	12,468,703
Business service levies		
> 150 days	-	58,237,654
	-	-
Other (specify)		
Current (0 -30 days)	240,728	224,631
31 - 60 days	121,580	18,352
61 - 90 days	84,418	8,585
91 - 120 days	75,457	6,847
121 - 365 days	213,556	-
> 150 days	(81,521)	(110,868)
	654,218	147,547

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Figures in Rand	2015	2014
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	2,266,269	3,267,460
Short-term deposits	6,730,717	1,617,920
	8,996,986	4,885,380

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Lydenburg (10-1000-0218)	114,210	423,987	(167,729)	114,210	423,987	(167,729)
ABSA Sabie (40-5826-4705)	83,347	128,471	10,329	83,347	128,471	10,329
Standard Bank - Primary Account (24-320-336-5)	1,205,084	1,240,715	392,668	1,203,584	1,185,977	392,668
Standard Bank - Traffic	810,121	1,528,341	739,083	810,121	1,528,341	739,083
Standard Bank - Call	54,525	52,007	-	54,525	52,007	-
AccountPost Office Guarantee - 488610621						
Standard Bank - MIG Call Account- 488610621	6,374,232	1,279,045	-	6,374,232	1,279,045	-
Standard Bank - MWIG Call Account - 488610521	301,960	286,869	-	301,960	286,869	-
ABSA Thaba Chweu Projects	4,676	684	-	4,676	683	-
STANDARD BANK; Ringfence Electricity	50,330	-	-	50,330	-	-
Total	8,998,485	4,940,119	974,351	8,996,985	4,885,380	974,351

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Figures in Rand	2015	2014
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
FMG	-	-
Balance Unspent at the beginning of the year	-	-
Current year receipts	1,600,000	1,550,000
Conditions met transferred to revenue	(1,600,000)	(1,550,000)
Conditions still to be met - remain liabilities	-	-
MSIG	-	-
Balance Unspent at the beginning of the year	-	-
Current year receipts	934,000	890,000
Conditions met transferred to revenue	(934,000)	(890,000)
Conditions still to be met - remain liabilities	-	-
EPWP	-	-
Balance unspent at the beginning of the year	-	-
Current year receipts	1,657,000	1,000,000
Conditions met transferred to revenue	(1,657,000)	(1,000,000)
Conditions still to be met - remain liabilities	-	-
MIG	-	-
Balance Unspent at the beginning of the year	-	4,932,849
Current year receipts	57,004,000	39,049,000
Conditions met transferred to revenue	(45,004,000)	(43,981,849)
Conditions still to be met - remain liabilities	12,000,000	-
INEP	-	-
Balance unspent at the beginning of the year	-	4,625,606
Current year receipts	-	1,900,000
Conditions met transferred to revenue	-	(6,525,606)
Conditions still to be met - remain liabilities	-	-
WSOG	-	-
Balance unspent at the beginning of the year	-	2,798,000
Current year receipts	-	3,000,000
Conditions met transferred to revenue	-	(5,798,000)
Conditions still to be met - remain liabilities	-	-
MWIG	-	-
Balance unspent at the beginning of the year	2,868,001	-
Current year receipts	-	14,341,000
Conditions me transferred to revenue	(2,868,001)	(11,472,999)
Conditions still to be met - remain liabilities	-	2,868,001
	12,000,000	2,868,002

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Figures in Rand	2015	2014
Government Grants and Subsidies		
Additions during the year	12,000,001	2,868,002
LG Seta	25,755	-
Equitable shares	90,485,000	74,531,000
MIG Grant	45,004,000	39,049,000
National: EPWP, FMG, MSIG Grant & MWIG	7,059,002	22,681,000
Total Government Grant and Subsidies Received	142,573,757	136,261,000

13. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Movement for the year	Change in discount factor	Total
Provision for rehabilitation of landfill sites	4,044,475	-	404,448	4,448,923
Provision for leave	6,304,301	(1,395,657)	-	4,908,644
Long Service Awards	5,841,180	1,460,820	-	7,302,000
	16,189,956	65,163	404,448	16,659,567

Reconciliation of provisions - 2014

	Opening Balance	Movements for the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for rehabilitation of landfill sites	687,750	-	3,356,725	-	4,044,475
Provision for leave	13,228,330	(5,841,180)	-	(1,082,849)	6,304,301
Long Service Awards	6,976,642	(1,135,462)	-	-	5,841,180
	20,892,722	(6,976,642)	3,356,725	(1,082,849)	16,189,956

14. Payables from exchange transactions

Trade payables	402,060,684	319,871,620
Payments received in advanced - contract in process	1,845,980	266,591
Other payables	8,410,896	25,175,812
	412,317,560	345,314,023

15. Consumer Deposits

Electricity and water	4,634,933	4,309,157
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Deposits generate no interest as per council resolution.

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Figures in Rand	2015	2014
16. Revenue		
Service charges	171,882,912	158,517,415
Rental of facilities and equipment	2,660,946	2,208,802
Income from agency services	26,049,886	26,491,672
Other income	28,648,993	16,183,049
Interest received - investment	-	260,384
Property rates	102,028,601	34,080,703
Government grants & subsidies	142,573,756	133,602,558
Fines	3,792,974	799,773
	477,638,068	372,144,356

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	171,882,912	158,517,415
Rental of facilities and equipment	2,660,946	2,208,802
Income from agency services	26,049,886	26,491,672
Other income	28,648,993	16,183,049
Interest received - investment	-	260,384
	229,242,737	203,661,322

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	102,028,601	34,080,703
Transfer revenue		
Government grants & subsidies	142,573,756	133,602,558
Fines	3,792,974	799,773
	248,395,331	168,483,034

Nature and type of services in-kind are as follows:

The services received in kind from Ehlanzeni District Municipality relates to financial support received for implementation of a clean audit strategy.

17. Property Rates

Rates received

Residential	25,886,731	17,209,086
Commercial	13,209,181	-
State	13,718,586	1,528,669
Small holdings and farms	39,113,600	10,240,281
Educational	-	913,636
Institutional	(107,449)	1,109,617
Industrial	2,423,929	11,117,472
Undeveloped Land	9,308,948	-
Less: Income forgone	(1,524,925)	(8,038,058)
	102,028,601	34,080,703

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Figures in Rand	2015	2014
18. Service Charges		
Sale of electricity	119,244,282	109,924,391
Sale of water	29,533,272	28,012,611
Sewerage and sanitation charges	10,914,533	9,679,414
Refuse removal	12,190,825	10,900,999
	171,882,912	158,517,415
19. Government Grants and Subsidies		
Operating grants		
Equitable share	90,485,000	74,531,000
LG Seta Grant	25,755	362,860
EPWP Grant	1,657,000	846,699
Financial Management Grant	1,600,000	1,550,000
Municipal Systems Improvement Grant	934,000	890,000
	94,701,755	78,180,559
Capital grants		
Municipal Infrastructure Grant	45,004,000	39,049,000
MWIG Grant	2,868,001	13,372,999
DWAF Grant	-	3,000,000
	47,872,001	55,421,999
Total Amount Received	142,573,756	133,602,558
20. Other Income		
Building plan fees	366,082	577,155
Bulk service contribution	50,808	124,010
Fines: Meter Tampering	1,118,400	-
SARS Refund	2,106,236	-
Interest on Bank	683,682	851,544
Connection Fees	188,497	159,789
Sundry income	13,982,644	8,690,866
Interest on arrear accounts	10,152,644	5,779,685
	28,648,993	16,183,049

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Figures in Rand	2015	2014
21. General Expenses		
Auditors fees	3,808,748	3,236,783
Bank charges	517,372	788,557
Cleaning	11,400	28,995
Legal costs	9,618,128	3,918,445
Consumables	360,778	537,173
Digging of graves	-	8,700
Hire	1,318,457	1,909,241
Insurance	64,073	2,193
Conferences and seminars	59,595	111,133
Levies	7	-
Motor vehicle expenses	1,991,757	11,662,601
Public participation and ward committees	39,131	42,450
Fuel and oil	47,312	-
Placement fees	18,112	25,435
Postage and courier	488,511	93,648
Printing and stationery	3,251,272	1,739,789
Protective clothing	302,929	110,035
Security (Guarding of municipal property)	2,080,255	-
Staff welfare	5,076	1,440
Subscriptions and membership fees	79,034	83,166
Telephone and fax	1,384,914	1,088,859
Training	1,025,202	1,203,003
Travel and Accomodation	895,963	942,558
Electricity	8,135,644	5,524,974
Sewerage and waste disposal	15,127	17,851
Water	1,162,882	1,122,636
Refuse	838,098	459,313
Uniforms	144,326	17,205
Debit orders	943,136	3,070,475
Stock losses	5,532	1,641,256
Licence fees	1,087,845	1,541,310
Disaster relief fund	404,448	-
Sundry Expenses	(3,664)	17,005
Valuation costs	515,493	-
Calebration machines	14,366	33,015
Integration of Thaba Chweu	-	839,519
Other expenses	24,146,496	19,158,147
	64,777,755	60,976,910

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Figures in Rand	2015	2014
22. Employee Related Costs		
Salaries	71,554,007	66,301,886
Bonus	4,947,945	4,673,809
Medical aid - company contributions	17,832,179	17,287,813
UIF	574,283	539,867
SDL	928,246	1,241,448
Other payroll levies	31,139	30,042
Leave pay provision charge	(921,194)	417,377
Travel, motor car, accommodation, subsistence and other allowances	17,968	4,179
Overtime payments	4,530,909	5,022,083
Long-service awards	5,534,384	3,386,324
Transport allowance	109,189	21,070
Car allowance	10,048,428	8,606,489
Housing benefits and allowances	296,179	278,196
Insurance Group Life	276,689	210,915
Other # 5	7	-
Cellphone Allowance	1,909,737	1,396,342
	117,670,095	109,417,840
Remuneration of Municipal Manager		
Annual Remuneration	840,066	-
Acting Allowance	96,670	-
Travelling Allowance	15,820	-
Contributions to UIF, Medical and Pension Funds	100,001	-
	1,052,557	-
Remuneration of Chief Finance Officer (Commenced: 01/02/2015 - 30/06/2015)		
Annual Remuneration	301,042	187,500
Acting Allowance	-	175,000
Travelling Allowance	53,125	44,521
Contributions to UIF, Medical and Pension Funds	595	21,279
	354,762	428,300
Remuneration of Director: Corporate Services		
Annual Remuneration	295,565	794,919
Acting Allowance	280,229	-
Travelling Allowance	90,888	43,690
Contributions to UIF, Medical and Pension Funds	165,061	307,431
	831,743	1,146,040
Remuneration of Director: Technical Services		
Annual Remuneration	381,737	641,680
Acting Allowance	180,488	118,785
Travelling Allowance	112,282	16,541
Contributions to UIF, Medical and Pension Funds	187,113	68,819
	861,620	845,825
Remuneration of Director: Community Services (Commenced: 01/04/2015 - 30/06/2015)		
Annual Remuneration	159,375	102,222

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Figures in Rand	2015	2014
Travelling Allowance	56,349	33,674
Contributions to UIF, Medical and Pension Funds	13,727	13,324
Cellphone Allowance	3,064	6,964
Acting Allowance	-	175,000
	232,515	331,184

Post-retirement medical benefits

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligation	29,929,309	25,855,745
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	29,929,309	25,855,745

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	25,855,745	21,333,959
Current service and interest cost	3,231,547	2,339,180
Benefit payments	(1,103,012)	(1,140,927)
Actuarial (gains)/losses	1,945,029	3,323,533
Missalaneous	-	-
Balance at end of year	29,929,309	25,855,745

The amounts recognised in the Statement of Financial Performance were as follows:

Statement of Financial Position obligation for: Long service awards	29,929,309	25,855,745
	29,929,309	25,855,745

Long service awards loss	1,945,029	3 323 533
	1,945,029	3,323,533

Additional retirement costs	-	-
	1,945,029	3,323,533

Post medical Aid Benefit

Independent valuers, One Pagaea Financial, Carried out statutory valuation on an annual basis

The principal actuarial assumptions used were as follows:

Discount rate per annum	9.24	8.98
General Inflation	6.86	6.56
Health care inflation rate	8.36	8.06
Net discount rate	1	1
Examples of mortality rates used were as follows	-	-
Average retirement age	63	63
Mortality during employment	90	90

Age 20 - 24	16	16
Age 25 - 29	12	12
Age 30 - 34	10	10
Age 35 - 39	8	8
Age 40 - 44	6	6
Age 45 - 49	4	4
Age 50 - 54	2	2
Age 55+	-	-
	185,411,177	165,105,305

Long-service leave awards

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Figures in Rand	2015	2014
The amounts recognised in the Statement of Financial Position are determined as follows:		
Present value of funded obligation	7,302,000	5,841,000
Fair Value of plan assets	-	-
Liability in the statement of Financial Position	7,302,000	5,841,000
Movements in the defined benefit obligation is as follows:		
Balance at the beginning of the year	5,841,000	4,994,000
current service	983,000	860,000
Benefit payments	(672,000)	745,000
Actuarial (gains) / Losses	1,150,000	732,000
	7,302,000	5,841,000
Statement of financial Position obligation for Post - employment medical benefit	-	-
Long Service Award	7,302,000	5,851,000
Post - employment medical benefit loss	-	-
Long Serve Awards	1,150,000	732,000
Additional retirement Costs:	1,150,000	732,000
	1,150,000	732,000
Independent valuers, One pangaea Financial, carried out a statutory valuation on the annual basis	-	-
The principal actuarial assumptions used were as follows	-	-
Discount rate per annum	8	9
General inflation	6	7
Health care inflation rate	7	8
Net discount rate	1	1
Example of mortality rates used were as follows		
Average retirement age	63	63
Mortality during employment	SA85-90	SA85-90
Members withdrawn from services: (Average for Males and Females)		
Age 20 - 24	16	16
Age 25 - 29	7	7
Age 30 - 34	5	5
Age 35 - 39	4	4
Age 40 - 44	3	3
Age 45 - 49	2	2
Age 50 - 54	1	1
Age 55+	-	-
	39,968,713	32,909,716

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
23. Remuneration of Councillors		
Executive Mayor	662,878	645,549
Speaker	538,074	516,439
Chief Whip	497,191	484,162
MMC: Finance and Technical Services	497,191	484,162
MMC: Corporate Services and Human Settlement	497,191	484,162
MMC: Community Services and Public Safety	497,191	484,162
Portfolio Chairperson: MPAC	255,207	248,536
Portfolio Chairperson: Land Use Committee	255,207	248,536
Ordinary Councillors	5,183,826	3,832,479
	8,883,956	7,428,187
24. Debt impairment		
Contributions to debt impairment provision	(37,027,461)	28,147,172
Debts impaired	58,223,529	-
	21,196,068	28,147,172
25. Investment Revenue		
Interest revenue		
Bank	-	260,384
26. Fair value adjustments		
Investment property (Fair value model)	-	147,470,477
27. Depreciation and Amortisation		
Property, plant and equipment	86,017,544	89,241,447
Intangible assets	112,027	87,410
	86,129,571	89,328,857
28. Finance Costs		
Bank	342	-
Interest paid	35,900,852	23,681,158
	35,901,194	23,681,158
29. Auditors' Remuneration		
Audit fees	3,808,748	3,236,783
30. Rental of facilities and equipment		
Premises		
Premises	2,660,946	2,207,491
Venue hire	-	1,311
	2,660,946	2,208,802

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Figures in Rand	2015	2014
31. Contracted Services		
Information Technology Services	7,852,513	10,567,863
Security Services	4,777,830	13,117,892
Other Contractors	39,291,677	24,638,781
	51,922,020	48,324,536
32. Bulk purchases		
Electricity	131,021,276	115,401,687
33. Cash generated from operations		
(Deficit) surplus	(58,707,318)	26,140,722
Adjustments for:		
Depreciation and amortisation	86,129,571	89,328,857
Fair value adjustments	-	(147,470,477)
Impairment deficit	650,657	994,568
Debt impairment	21,196,068	28,147,172
Movements in retirement benefit assets and liabilities	4,073,564	4,521,787
Movements in provisions	469,611	1,828,565
Other non-cash items	(6,561,640)	-
Changes in working capital:		
Inventories	1,299,782	(287,743)
Consumer debtors	(12,555,632)	(10,846,024)
Other receivables from non-exchange transactions	(58,838,048)	(10,821,451)
Payables from exchange transactions	67,003,528	90,539,259
VAT	589,960	(6,664,834)
Unspent conditional grants and receipts	9,131,999	(9,488,452)
Consumer deposits	325,776	419,498
	54,207,878	56,341,447
34. Commitments		
Authorised expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	12,000,000	2,868,002
• Contractual Operating Commitments	34,383,108	27,962,720
• General Operating Commitments	4,485,315	-
	50,868,423	30,830,722
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1,847,132	7,875,114
- in second to fifth year inclusive	3,900,000	6,757,164
	5,747,132	14,632,278

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Figures in Rand	2015	2014
35. Contingencies		
Thaba Chweu VS Telkom SA	-	
Damaged Cables		
Thaba Chweu VS AfriForum	-	
Application to access qualifications of Senior Managers		
Thaba Chweu VS SAMWU obo Members	-	
SAMWU is seeking the implementation of placement for its members		
Thaba Chweu VS Lesiba Christian Rale	680,695	
Supplier claiming for unpaid invoices		
Thaba Chweu VS VD Transcribers cc	1,722,736	
Recision appliction brought by the municipality against a default judgement. Applicant claims for work completed and paid for		
Thaba Chweu VS GF Interactive Trading (PTY) LTD	1,444,000	
Plaintiff claiming for services rendered		
Thaba Chweu VS Eco Mare Consortium	2,568,269	
Plaintiff claims for outstanding monies due.		
Thaba Chweu VS Matabane Civils Construction	-	
Plaintiff claims for services rendered but not paid for		
Thaba Chweu VS Voltex (PTY) LTD	268,176	
Applicant claims for goods delivered and not paid for.		
Thaba Chweu VS Othom Investment	4,694,902	
Plaintiff is suing the municipality for services rendered and not paid for and for future damages due to the cancellation of contract.		
Thaba Chweu VS Infrastructure Finance Corporation LTD	2,372,920	
Plaintiff is suing the municipality cession agreement with the PIC for a loan the municipality had taken.		
Thaba Chweu VS Jako de Klerk & Marietjie Malan	750,000	
Claim for damages for five horses allegedly elotrocuted by municipal electrical poles		
Thaba Chweu VS Valuers Africa (PTY) LTD	1,895,073	
Claim for unpaid inovices		
Thaba Chweu VS Potatoe Seed Production	-	
Applicant was granted for an order interdicting the municipalty from terminating the electrical supply.		
Thaba Chweu VS Hendrik J Samuels	-	
Plaintiff claiming against the municipality		
Thaba Chweu VS Garry's Tune up	-	
Claim for payment of services rendere and no payment.		

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Figures in Rand	2015	2014
Thaba Chweu VS Rifana InvestmentsBK	-	
Applicant was granted for an order interdicting the municipality from terminating the electrical supply		
Thaba Chweu VS Deon Broekman	-	
Claim that services were provided on behalf of Council		
Thaba Chweu VS Eben Botha	-	
Plaintiff claiming against the municipality		
Thaba Chweu VS Mike Mashile and Others	-	
Plaintiff claiming that they were illegally evicted		
Thaba Chweu VS Unidentified Occupiers (Chinese)	-	
Eviction of illegal land occupiers		
Thaba Chweu VS Unidentified Occupiers (Mashishing)	-	
Eviction of illegal land occupiers		
Thaba Chweu VS CW Bond	-	
Injuries Sustained on municipal road		
Thaba Chweu VS JM Bond	-	
Injuries Sustained on municipal road		
Thaba Chweu VS Unidentified Occupants (Beverly Hills)	1,200,000	
Eviction of illegal land occupiers		
Thaba Chweu VS Nkanyezi Petro Mhlanga	-	
Claim for services rendered but no payment		
Thaba Chweu VS Aveenkumar Harigen	-	
Claim against the municipality		
Thaba Chweu VS Roza Essack	-	
Applicant was disconnected and went to court to force the municipality to reconnect her.		
Thaba Chweu VS Tassons Investments BK	-	
Applicant was disconnected and went to court to force the municipality to reconnect him/her.		
Thaba Chweu VS Rifana Investments BK	-	
Applicant was disconnected and went to court to force the municipality to reconnect him.		
Thaba Chweu VS Sala	-	
Applicant claimed for interest on late payments of pension fund		
Thaba Chweu VS Auditor-General of South Africa	9,000,000	
Claim for Audit Fees		

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Figures in Rand	2015	2014
36. Related parties		
Related party balances		
Municipal Contribution THALEDA - Owing (to) by related parties THALEDA	1,039,519	(1,039,519)
Related party transactions		
Municipal Contribution to THALEDA		
Opening Balance	1,039,519	-

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
37. Prior Period Errors		
A		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Increase in property, plant and equipment	-	1,271,991,552
(Decrease) in investment property	-	(58,830,054)
Increase in intangible assets	-	77,361
Increase in receivable from non-exchange	-	445,311
Increase in cash and cash equivalents	-	683
(Increase) in accumulated surplus	-	(1,213,684,853)
Statement of Financial Performance		
Increase in depreciation expense	-	56,213,569
(Decrease) in assets impairment	-	(545,661)
(Decrease) in intangible assets amortisation	-	(171,303)
(Increase) in other income	-	(445,994)
Cashflow statement		
Cash flow from operating activities		
Increase in other income	-	(445,994)
Cash flow from investing activities		
Increase in depreciation and amortisation	-	56,042,266
(Decrease) in assets impairment	-	(545,661)
	-	55,496,605

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Figures in Rand	2015	2014
Category		
Current Assets		
Inventories		
Other receivables from exchange transactions		
Other receivables from non-exchange transactions		
Vat receivable		
Other financial assets		
Cash and cash equivalents		
Non Current Assets		
Property, plant and equipment		
Investment property		
Long term investments		
Long term investments		
Long term investments		
Total Assets		
Current liabilities		
Trade and other payables from exchange transactions		
Consumer deposits		
Conditional grants and receipts		
Provisions		
Bank overdraft		
Current portion of long term loan		
Defined obligation		
Non current liabilities		
Long term liability		
Defined benefit obligations		
Current liabilities		
Long term liability		
Total liabilities		
Donations and public contributions		
Property rates		
Service Charges		
Rental of facilities and equipment		
Income from agency services		
Government grants and subsidies		
Other income		
Fines		
Fees earned		
Interest on investments		
Total Income		
Employee related costs		
Remuneration of councillors		
Depreciation and amortisation		
Finance costs		
Repairs and maintenance		
Bulk purchases		
Contracted services		
Other expenses		
Total expenditure		
Loss on sale of assets		
Surplus(deficit for the year)		

38. Risk Management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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Figures in Rand	2015	2014
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Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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Figures in Rand	2015	2014
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40. Fruitless and Wasteful Expenditure

Opening Balance	11,631,999	1,522,701
Add: Fruitless & Wasteful Expenditure	14,658,542	10,109,298
Awaiting Council Condonment	26,290,541	11,631,999

Fruitless and wasteful expenditure for the year relates to interest charged on overdue accounts due to financial constraints of the municipality.

41. Irregular Expenditure

Opening balance	150,572,270	76,673,339
Add: Irregular Expenditure - current year	22,677,022	73,898,931
Awaiting Council Condonment	173,249,292	150,572,270

Thaba Chweu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2015	2014
Details of irregular expenditure - current year			
	Disciplinary steps taken/criminal proceedings		
Ikotwe Plant Hir	SCM Procedures not followed: referred to MPAC for investigation		6,804
600SA Holdings (PTY) LTD	SCM Procedures not followed: referred to MPAC for investigation		15,236
Supa Quick Nelspruit	SCM Procedures not followed: referred to MPAC for investigation		23,283
Lydenburg Toyota	SCM Procedures not followed: referred to MPAC for investigation		16,736
Westvaal Mashishing	SCM Procedures not followed: referred to MPAC for investigation		10,766
Union Motors Lowveld	SCM Procedures not followed: referred to MPAC for investigation		2,700
Get There Security Services	SCM Procedures not followed: referred to MPAC for investigation		176,000
Sbongiseni Security Services	SCM Procedures not followed: referred to MPAC for investigation		54,720
Sbongiseni Security Services	SCM Procedures not followed: referred to MPAC for investigation		121,200
Sbongiseni Security Services	SCM Procedures not followed: referred to MPAC for investigation		180,000
Sbongiseni Security Services	SCM Procedures not followed: referred to MPAC for investigation		54,720
Get There Security Services	SCM Procedures not followed: referred to MPAC for investigation		176,000
Hlathi Maphanga Maintanance & Plumbing	SCM Procedures not followed: referred to MPAC for investigation		27,620
Mash FM	SCM Procedures not followed: referred to MPAC for investigation		29,600
Government Printing Works	SCM Procedures not followed: referred to MPAC for investigation		3,094
Lydenburg Toyota	SCM Procedures not followed: referred to MPAC for investigation		13,460
Phalafala Yalla Trading and Projects	SCM Procedures not followed: referred to MPAC for investigation		38,874
Phalafala Yalla Trading and Projects	SCM Procedures not followed: referred to MPAC for investigation		67,260
No1 Cleaning Services	SCM Procedures not followed: referred to MPAC for investigation		2,000
Nare and Gonego Business	SCM Procedures not followed: referred to MPAC for investigation		9,000
Mathata Security Services	SCM Procedures not followed: referred to MPAC for investigation		31,750
Landis & Gyr (PTY) LTD	SCM Procedures not followed: referred to MPAC for investigation		198,169
Viscon CMS Conveyor Mining Supplies	SCM Procedures not followed: referred to MPAC for investigation		3,032
Glassfit	SCM Procedures not followed: referred to MPAC for investigation		3,292
Ian Dickies	SCM Procedures not followed: referred to MPAC for investigation		18,177
Mandlakazi Electrical Technologies	SCM Procedures not followed: referred to MPAC for investigation		210,447
Lateral Unison Insurance Brokers	SCM Procedures not followed: referred to MPAC for investigation		342,000
Government Printing Works	SCM Procedures not followed: referred to MPAC for investigation		26,138
Dawson & Dobson	SCM Procedures not followed: referred to MPAC for investigation		26,236

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Figures in Rand	2015	2014
Makherenthla Trading	SCM Procedures not followed: referred to MPAC for investigation	360,000
Lybasol Motors	SCM Procedures not followed: referred to MPAC for investigation	2,328
Ian Dickie	SCM Procedures not followed: referred to MPAC for investigation	18,177
Ian Dickie	SCM Procedures not followed: referred to MPAC for investigation	24,336
Huson Panelbeaters & Haildent Specialist	SCM Procedures not followed: referred to MPAC for investigation	2,500
Mavutha Contractors Enterprise CC	SCM Procedures not followed: referred to MPAC for investigation	495,742
Postnet Lydenburg	SCM Procedures not followed: referred to MPAC for investigation	2,480
Central Fluid Sealing & Hydraulic Supply	Sole Service Provider	15,960
Postnet Lydenburg	SCM Procedures not followed: referred to MPAC for investigation	8,133
Amahayena Holdings	SCM Procedures not followed: referred to MPAC for investigation	19,500
Technodom Trading	SCM Procedures not followed: referred to MPAC for investigation	91,929
Phalafala Yalla Trading and Projects	SCM Procedures not followed: referred to MPAC for investigation	179,796
Sibongiseni Security	SCM Procedures not followed: referred to MPAC for investigation	64,195
Conway General Trading Lydenburg	SCM Procedures not followed: referred to MPAC for investigation	2,969
Conway General Trading Lydenburg	SCM Procedures not followed: referred to MPAC for investigation	3,690
Conway General Trading Lydenburg	SCM Procedures not followed: referred to MPAC for investigation	3,038
Conway General Trading Lydenburg	SCM Procedures not followed: referred to MPAC for investigation	1,891
Conway General Trading Lydenburg	SCM Procedures not followed: referred to MPAC for investigation	769
Conway General Trading Lydenburg	SCM Procedures not followed: referred to MPAC for investigation	6,794
LED Electrical and Pump	SCM Procedures not followed: referred to MPAC for investigation	157,626
Truvello	SCM Procedures not followed: referred to MPAC for investigation	7,338
Tswelela-Obonale Construction	SCM Procedures not followed: referred to MPAC for investigation	181,701
Falaza Electrical Enterprise (PTY) LTD	SCM Procedures not followed: referred to MPAC for investigation	38,000
Union Motors	SCM Procedures not followed: referred to MPAC for investigation	8,554
Lwakithi Trading Enterprise	SCM Procedures not followed: referred to MPAC for investigation	285,365
Wesno Holdings (PTY) LTD	SCM Procedures not followed: referred to MPAC for investigation	26,970
Lwakithi Trading Enterprise	SCM Procedures not followed: referred to MPAC for investigation	285,365
Southern Africa Fault Location	SCM Procedures not followed: referred to MPAC for investigation	32,195
Vari Holdings	SCM Procedures not followed: referred to MPAC for investigation	476,250
Amahayena Holding (PTY) LTD	SCM Procedures not followed: referred to MPAC for investigation	23,500
Vuthela Africa Security Services	SCM Procedures not followed: referred to MPAC for investigation	171,000

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Figures in Rand	2015	2014
Truvello Manufactures (PTY) LTD	SCM Procedures not followed: referred to MPAC for investigation	28,767
EB's Electrical Contractors	SCM Procedures not followed: referred to MPAC for investigation	28,900
Mokwatsane Attorneys	SCM Procedures not followed: referred to MPAC for investigation	70,000
Ferad	SCM Procedures not followed: referred to MPAC for investigation	33,506
Phalafala Yalla Trading and Projects	SCM Procedures not followed: referred to MPAC for investigation	30,390
EB's Electrical Contractors	SCM Procedures not followed: referred to MPAC for investigation	33,460
ANK Mining Supplies (PTY) LTD	SCM Procedures not followed: referred to MPAC for investigation	59,145
Airlink (PTY) LTD	SCM Procedures not followed: referred to MPAC for investigation	4,461
Serso Trading and Projects CC	SCM Procedures not followed: referred to MPAC for investigation	182,354
Lwakithi Trading Enterprise	SCM Procedures not followed: referred to MPAC for investigation	285,365
Sebata	Sole Service Provider	65,208
Serso Trading	SCM Procedures not followed: referred to MPAC for investigation	182,354
Amahayena Holdings	SCM Procedures not followed: referred to MPAC for investigation	7,327
Vuthela Africa Security Services	SCM Procedures not followed: referred to MPAC for investigation	111,150
Mash FM	Sole Service Provider	6,450
Mash FM	Sole Service Provider	4,600
Amani Boutique Hotel	SCM Procedures not followed: referred to MPAC for investigation	2,188
T.M Chauke Attorneys	SCM Procedures not followed: referred to MPAC for investigation	261,709
Tornel Props	SCM Procedures not followed: referred to MPAC for investigation	14,729
Phalafala Yalla trading and Projects	SCM Procedures not followed: referred to MPAC for investigation	63,183
ERMSA Electrical Holdings	SCM Procedures not followed: referred to MPAC for investigation	87,735
Advert	GPS News and Printing	14,735
Mash FM	SCM Procedures not followed: referred to MPAC for investigation	108,000
Lateral Unison Insurance Brokers	SCM Procedures not followed: referred to MPAC for investigation	90,267
AC Electromech Maintenance Services 101c	SCM Procedures not followed: referred to MPAC for investigation	84,482
Lwakithi Trading Enterprise	SCM Procedures not followed: referred to MPAC for investigation	285,365
Lydenburg Brake and Clutch	SCM Procedures not followed: referred to MPAC for investigation	8,094
Lydenburg Brake and Clutch	SCM Procedures not followed: referred to MPAC for investigation	14,159
Lateral Unison Insurance brokers	SCM Procedures not followed: referred to MPAC for investigation	175,275
Lydenburg Brake and Clutch	SCM Procedures not followed: referred to MPAC for investigation	5,187
EB's Electrical Contractors	SCM Procedures not followed: referred to MPAC for investigation	14,478
Silver Solutions 2259 CC	SCM Procedures not followed: referred to MPAC for investigation	170,520

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Figures in Rand	2015	2014
Mash Vision	SCM Procedures not followed: referred to MPAC for investigation	792,984
Nomcebo Consulting Enterprise	SCM Procedures not followed: referred to MPAC for investigation	25,937
Matsane Attorneys	SCM Procedures not followed: referred to MPAC for investigation	94,327
Thaba Chweu News	Sole Services	21,355
Lwakithi Trading Enterprise	SCM Procedures not followed: referred to MPAC for investigation	285,365
Government Printing Works	Sole Service Provider	13,721
Phanda Phandile	SCM Procedures not followed: referred to MPAC for investigation	88,400
MM Mkhonto Construction	SCM Procedures not followed: referred to MPAC for investigation	52,611
Skhila Driving School	SCM Procedures not followed: referred to MPAC for investigation	105,950
Bothila Trading	SCM Procedures not followed: referred to MPAC for investigation	496,470
Bothila Trading	SCM Procedures not followed: referred to MPAC for investigation	579,969
Lwakithi Trading Enterprise	SCM Procedures not followed: referred to MPAC for investigation	155,000
Avis Van Rental	SCM Procedures not followed: referred to MPAC for investigation	54,907
Pimulekwa Office	SCM Procedures not followed: referred to MPAC for investigation	1,093,912
Avis Van rental	SCM Procedures not followed: referred to MPAC for investigation	56,977
Moribo Security	SCM Procedures not followed: referred to MPAC for investigation	230,040
Moribo Security	SCM Procedures not followed: referred to MPAC for investigation	94,620
Pimulekwa Office	SCM Procedures not followed: referred to MPAC for investigation	213,865
Ntswari Projects	SCM Procedures not followed: referred to MPAC for investigation	104,000
Simon Billy Trading	SCM Procedures not followed: referred to MPAC for investigation	197,895
Bothila Trading	SCM Procedures not followed: referred to MPAC for investigation	598,500
Born to Protect	SCM Procedures not followed: referred to MPAC for investigation	1,000,473
Moribo Security	SCM Procedures not followed: referred to MPAC for investigation	230,040
Moribo Security	SCM Procedures not followed: referred to MPAC for investigation	230,040
Zwelande Trading	SCM Procedures not followed: referred to MPAC for investigation	43,000
Simon Billy Trading	SCM Procedures not followed: referred to MPAC for investigation	197,895
Bothila Trading	SCM Procedures not followed: referred to MPAC for investigation	527,250
Avis Car Rental	SCM Procedures not followed: referred to MPAC for investigation	55,414
Avis Car Rental	SCM Procedures not followed: referred to MPAC for investigation	55,448
Moribo Trading	SCM Procedures not followed: referred to MPAC for investigation	162,330
Lwakithi Trading Enterprise	SCM Procedures not followed: referred to MPAC for investigation	155,000

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Born to Protect	SCM Procedures not followed: referred to MPAC for investigation	1,009,695
Moribo Trading	SCM Procedures not followed: referred to MPAC for investigation	230,040
Born to Protect	SCM Procedures not followed: referred to MPAC for investigation	819,149
Eco Mare	SCM Procedures not followed: referred to MPAC for investigation	300,000
Lwakithi Trading Enterprise	SCM Procedures not followed: referred to MPAC for investigation	155,000
MMT Projects	SCM Procedures not followed: referred to MPAC for investigation	280,000
Vari Holdings	SCM Procedures not followed: referred to MPAC for investigation	476,250
Born to Protect	SCM Procedures not followed: referred to MPAC for investigation	364,016
Pridop Security	SCM Procedures not followed: referred to MPAC for investigation	363,813
Kgalemelang Security	SCM Procedures not followed: referred to MPAC for investigation	77,800
Taushigo	SCM Procedures not followed: referred to MPAC for investigation	120,400
CES Security	SCM Procedures not followed: referred to MPAC for investigation	171,857
Pridop Security	SCM Procedures not followed: referred to MPAC for investigation	254,306
Born to Protect	SCM Procedures not followed: referred to MPAC for investigation	430,509
CES Security	SCM Procedures not followed: referred to MPAC for investigation	241,857
Taushigo	SCM Procedures not followed: referred to MPAC for investigation	120,400
Overtime	Overtime Claims in excess of threshold: referred to MPAC for investigation	1,828,287
		22,677,022

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

42. Deviations from supply chain regulations

Vendor name	Reason for deviation	Amount
Ikotwe Plant Hire	Emergency	6,804
600SA holding (PTY) Ltd	Sole Service Provider	15,236
Supa Quick Nelspruit	Sole Service Provider	23,283
Lydenburg Toyota	Sole Service Provider	16,736
Westvaal Mashishing	Sole Service Provider	10,766
Union Motors Lowveld	Sole Service Provider	2,700
Get There Security Services	Emergency	176,000
Sibongiseni Security Services	Emergency	54,720
Sibongiseni Security services	Emergency	121,200
Sibongiseni Security Services	Emergency	180,000
Sibongiseni Security Services	Emergency	54,720
Get There Security Services	Emergency	176,000
Hlathi Maphanga Maintanance & Plumbing	Emergency	27,620
Mash FM	Sole Service Provider	29,600
Government Printing works	Sole Service Provider	3,094
Lydenburg Toyota	Sole Service Provider	13,460
Phalafala Yalla Trading & Projects	Emergency	38,874
Phalafala Yalla Trading & Projects	Emergency	67,260
No1 Cleaning Services	Emergency	2,000
Nare & Gonego Business	Emergency	9,000
Mathata Security services	Emergency	31,750
Landis + Gyr (PTY) Ltd	Sole Service Provider	198,169
Viscon CMS Conveyor Mining Supplies	Sole Service Provider	3,032
Glassfit Lydenburg	Sole Service Provider	3,292
Ian Dickies	Sole Service Provider	18,177
Mandlakazi Electrical Technologies	Emergency	210,447
Lateral Unison Insurance Brokers	Emergency	342,000
Government Printing Works	Sole Service Provider	26,138
Dawson and Dobson	Emergency	26,236
Makherenthla Trading	Emergency	360,000
Lybasol Motors	Emergency	2,328
Ian Dickie	Sole Service Provider	18,177
Ian Dickie	Sole Service Provider	24,336
Huson Panelbeaters & Haildent Specialist	Sole Service Provider	2,500
Mavutha Contractors Enterprise CC	Emergency	495,742
Postnet Lydenburg	Emergency	2,480
Central Fluid Sealing & hydrolic Supply	Sole Service Provider	15,960
Postnet Lydenburg	Emergency	8,133
Amahayena Holdings (PTY) Ltd	Emergency	19,500
Technodom trading	Emergency	91,929
Phalafala Yalla Trading & Projects	Emergency	179,796
Sibongiseni Security	Emergency	64,195
Conway General Lydenburg	Sole Service Provider	2,969
Conway General Lydenburg	Sole Service Provider	3,690
Conway General Lydenburg	Sole Service Provider	3,038
Conway General Lydenburg	Sole Service Provider	1,891
Conway General Lydenburg	Sole Service Provider	769
Conway General Lydenburg	Sole Service Provider	6,794
LED Electrical & Pump	Emergency	157,626
Truvello	Sole Service Provider	7,338
Tswelela-Obonale Construction	Emergency	181,701
Falaza Electrical Enterprise (PTY) Ltd	Emergency	38,000
Union Motors	Sole Service Provider	8,554
Lwakithu Trading Enterprise	Emergency	285,365
Wesno Holdings (PTY) Ltd	Emergency	26,970
Lwakithi Trading Enterprise	Emergency	285,365
Southern Africa Fault Location	Emergency	32,195
Vari Holdings	Emergency	476,250

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand		2015	2014
Amahayena Holdings (PTY) Ltd	Emergency		23,500
Vuthela Africa Security Services	Emergency		171,000
Truvello	Sole Service Provider		28,767
EB's Electrical Contractors	Sole Service Provider		28,900
Mokwatsane Attorneys	Emergency		70,000
Ferad	Emergency		33,506
Phalafala Yalla Trading & Projects	Emergency		30,390
EB's Electrical Contractors	Emergency		33,460
ANK Supplies (PTY) Ltd	Sole Service Provider		59,145
Airlink (PTY)Ltd	Sole Service Provider		4,461
Serso trading & Projects cc	Emergency		182,354
Lwakithi Trading Enterprise	Emergency		285,365
Sebata Municipal Solution	Sole Service Provider		65,208
Serso trading & Projects cc	Emergency		182,354
Amahayena Holdings	Emergency		7,327
Vuthela Africa Security Services	Emergency		111,150
Mash FM	Sole Service Provider		6,450
Mash FM	Sole Service Provider		4,600
Amani Boutique Hotel	Emergency		2,188
TM Chauke Attorneys	Emergency		261,709
Tornel Props	Emergency		14,729
Phalafala Yalla Trading & Projects	Emergency		63,183
ERMSA Electrical Holdings	Emergency		87,735
GPS News and Printing	Emergency		14,735
Mash FM	Sole Service Provider		108,000
Lateral Unison Insurance	Emergency		90,267
AC Electromech Maintenance Services 101c	Emergency		84,482
Lwakithi Trading Enterprise	Emergency		285,365
Lydenburg Brake & Clutch	Emergency		8,094
Lydenburg Brake & Clutch	Emergency		14,159
Lateral Unison Insurance Brokers	Emergency		175,275
Lydenburg Brake & Clutch	Emergency		5,187
EB'S Electrical	Emergency		14,478
Silver Solutions 2259 cc	Emergency		170,520
Mash Vision	Emergency		792,984
Nomcebo Consulting Enterprise	Emergency		25,937
Matsane Attorneys	Emergency		94,327
Thaba Chweu News	Sole Service Provider		21,355
Lwakithi Trading Enterprise	Emergency		285,365
Government Printing Works	Sole Service Provider		13,721
			8,653,637

43. Budget differences

Material differences between budget and actual amounts

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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42.1 Service Charges: Customers did not fully honour their current accounts during the financial year hence the difference

42.2 Income from Agency Services: Under budgeting during the adjustment budget period because of the status of collections at half year.

42.3 Other Income: Under budgeting during the financial year.

42.4 Property Rates: Implementation of the new Valuation Roll

42.5 Government grant and Subsidies: The difference is caused by the unspent conditional grant and the recognition of the unspent conditional grant of the previous financial year

42.6 Traffic Fines: Under budgeting during the financial year

42.7 Personnel: Employment of new employees and overtime payments

42.8 Depreciation: Restatement of PPE

42.9 Finance Costs: Interest Charged on overdue Eskom account

42.10 Debt Impairment: Assessment of recoverability of existing debt per account

42.11 Bulk Purchases: Sight under budgeting and exceeding of the notified maximum demand

42.12 General Expenses: Under budgeting during the beginning of the financial year even though the municipality did adjust the expenditure upwards during the Mid year assessment

Appendix A
June 2015

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Long term loan							
		8,599,791	(8,599,791)	-	-	-	-
		8,599,791	(8,599,791)	-	-	-	-
Total external loans							
Long term loan							
		8,599,791	(8,599,791)	-	-	-	-
		8,599,791	(8,599,791)	-	-	-	-

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Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

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June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun				
FMG	National Treasury	1,600,000	-	-	-	772,859	565,969	120,000	141,173	-	TCLM still finalizing prior year projects	Yes	
MSIG	National Treasury	934,000	-	-	-	-	242,756	88,043	603,201	-		Yes	
MIG	National Treasury	188,000	16,083,000	40,733,000	-	-	16,019,049	11,211,389	17,773,562	-		Yes	
INEP	National Treasury	1,000,000	-	-	-	-	-	-	-	1,000,000		Yes	
EPWP	National Treasury	663,000	497,000	497,000	-	729,580	927,420	-	-	-		Yes	
LGSETA	National Treasury	25,755	-	-	-	-	25,755	-	-	-		Yes	
WSOS	National Treasury	-	-	-	-	-	-	-	-	-		Yes	
		4,410,755	16,580,000	41,230,000	-	1,502,439	17,780,949	11,419,432	18,517,936	1,000,000			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.